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The
International Nickel
Company of Canada
Limited

1967 Annual Report



International Nickel is a multinational organization of over 32,500 people of varied skills and talents—people who search the globe for nickel . . . who wrest it from the earth . . . who find new and better ways to use nickel . . . who extract from nickel ore as many as 15 elements.

The International Nickel Company of Canada Limited

1967 Annual Report

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*La traduction en français de ce rapport
sera envoyée sur demande.*

OFFICERS

Honorary Chairman
JOHN F. THOMPSON

Chairman Executive Committee
J. ROY GORDON

Chairman and Chief Officer
HENRY S. WINGATE

President
ALBERT P. GAGNEBIN

Senior Executive Vice-President
JAMES C. PARLEE

Executive Vice-President
RICHARD A. CABELL

Vice-Presidents

Executive Vice-President
F. FOSTER TODD

*Assistant to the Chairman
and Consulting Engineer*
PAUL QUENEAU

JOHN A. MARSH

THOMAS W. CHILDS, C.B.E.

Secretary
WILLIAM F. KENNEDY

Assistant to the Chairman—Law
ASHBY MCC. SUTHERLAND

H. FRANKLIN ZURBRIGG

LOUIS S. RENZONI

Comptroller
WALTER A. MCCADDEN

Assistant to the President
DEAN D. RAMSTAD

JOHN O. HITCHCOCK

Treasurer
F. M. A. NOBLET

DIRECTORS

Term Expires 1968

WILLIAM C. BOLENIUS..Cutchogue, N. Y.
NORRIS R. CRUMP.....Montreal, P. Q.
ALBERT P. GAGNEBIN....Fair Haven, N. J.
JAMES H. GOSS.....Rye, N. Y.
ALLEN T. LAMBERT.....Toronto, Ont.
DONALD H. McLAUGHLIN..San Francisco,
Calif.
JAMES C. PARLEE.....Bronxville, N. Y.
ELLMORE C. PATTERSON....Bedford, N. Y.
JAMES A. RICHARDSON....Winnipeg, Man.
LUCIEN G. ROLLAND.....Montreal, P. Q.
R. EWART STAVERT.....Montreal, P. Q.
WILLIAM K. WHITEFORD...Pittsburgh, Pa.
HENRY S. WINGATE.....New York, N. Y.

Term Expires 1969

JOHN J. DEUTSCH.....Kingston, Ont.
HON. LEWIS W. DOUGLAS.Sonoita, Arizona
J. ROY GORDON.....New York, N. Y.
G. ARNOLD HART, M.B.E...Montreal, P. Q.
R. SAMUEL McLAUGHLIN....Oshawa, Ont.
H. C. F. MOCKRIDGE, Q.C...Toronto, Ont.
THE RT. HON. LORD NELSON OF STAFFORD
London, England
SIR RONALD L. PRAIN, O.B.E.....Lusaka,
Zambia
GEORGE C. SHARP.....Katonah, N. Y.
JOHN F. THOMPSON.....New York, N. Y.
THE RT. HON. VISCOUNT WEIR, C.B.E.
Glasgow, Scotland
SAMUEL H. WOOLLEY..Morris Plains, N. J.

EXECUTIVE COMMITTEE

J. ROY GORDON, *Chairman*

ALBERT P. GAGNEBIN
H. C. F. MOCKRIDGE, Q.C.

ELLMORE C. PATTERSON
JOHN F. THOMPSON

HENRY S. WINGATE

ADVISORY COMMITTEE

R. SAMUEL McLAUGHLIN, *Chairman*

LANCE H. COOPER, M.B.E.
J. ROY GORDON
H. R. MacMILLAN, C.B.E.

SIR OTTO E. NIEMEYER, G.B.E., K.C.B.
JOHN F. THOMPSON
J. C. TRAPHAGEN
HENRY S. WINGATE

COUNSEL

SULLIVAN & CROMWELL

OSLER, HOSKIN & HARCOURT

AUDITORS

PRICE WATERHOUSE & CO.

TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY.....Toronto, Ont.
THE ROYAL TRUST COMPANY.....Montreal, P. Q.
MORGAN GRENFELL & CO. LIMITED.....London, England
BANKERS TRUST COMPANYNew York, N. Y.

REGISTRARS

MONTREAL TRUST COMPANY.....Toronto, Ont.
MONTREAL TRUST COMPANYMontreal, P. Q.
LLOYDS BANK LIMITEDLondon, England
MORGAN GUARANTY TRUST COMPANY OF NEW YORK.....New York, N. Y.

DIVIDEND DISBURSING AGENTS

BANKERS TRUST COMPANYNew York, N. Y.
MORGAN GRENFELL & CO. LIMITED.....London, England

The
International Nickel
Company of Canada
Limited

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

General Offices: Copper Cliff, Ontario, Canada

Toronto Office: Toronto-Dominion Centre, Toronto 1, Ontario, Canada

THE INTERNATIONAL NICKEL COMPANY, INC.

General Offices: 67 Wall Street, New York, N. Y. 10005, U.S.A.

HUNTINGTON ALLOY PRODUCTS DIVISION

New York Office: 67 Wall Street, New York, N. Y. 10005, U.S.A.

Huntington Office: Huntington, West Virginia 25720, U.S.A.

INTERNATIONAL NICKEL LIMITED

General Offices: Thames House, Millbank, London, S. W. 1, England

HENRY WIGGIN & COMPANY, LIMITED

General Offices: Thames House, Millbank, London, S. W. 1, England

Hereford Office: Holmer Road, Hereford, England

As part of the continuing mine and plant expansion program in Canada, surface installations at the Thompson No. 3 shaft in Manitoba were completed in 1967, and the shaft was put into operation.



PRINCIPAL PROPERTIES, PLANTS AND LABORATORIES

Producing Mines

SUDBURY DISTRICT, ONTARIO — Creighton, Frood-Stobie, Garson, Levack, Murray, Crean Hill, Clarabelle, MacLennan and Totten

THOMPSON, MANITOBA — Thompson

Concentrators

SUDBURY DISTRICT, ONTARIO — Copper Cliff, Creighton, Levack and Frood-Stobie

THOMPSON, MANITOBA — Thompson

Smelters

COPPER CLIFF, ONTARIO — *Nickel oxide sinters*

CONISTON, ONTARIO

THOMPSON, MANITOBA

Iron Ore Recovery Plant

COPPER CLIFF, ONTARIO — *Iron ore; soluble nickel oxide*

Refineries

PORT COLBORNE, ONTARIO — *Nickel metal*

THOMPSON, MANITOBA — *Nickel metal; elemental sulphur*

COPPER CLIFF, ONTARIO — *Copper; gold, silver, osmium, selenium, tellurium; semi-refined platinum-group metals; nickel sulphate*

CLYDACH, WALES — *Nickel metal — pellet and powder; nickel and cobalt salts and oxides; iron powder*

ACTON (LONDON), ENGLAND — *Platinum, palladium, rhodium, ruthenium and iridium*

Research Laboratories and Pilot Plants

COPPER CLIFF, PORT COLBORNE AND SHERIDAN PARK, ONTARIO

STERLING FOREST, NEW YORK, AND HARBOR ISLAND, NORTH CAROLINA, U.S.A.

BIRMINGHAM AND ACTON (LONDON), ENGLAND; CLYDACH, WALES

Rolling Mills

PLANTS — HUNTINGTON, WEST VIRGINIA, AND BURNAUGH, KENTUCKY, U.S.A.;
HEREFORD, ENGLAND — *Wrought nickel and high-nickel alloys*

RESEARCH LABORATORIES — HUNTINGTON, WEST VIRGINIA, U.S.A.;
HEREFORD, ENGLAND



In an intensification of exploration activities, this new turboprop aircraft, equipped with both electromagnetic and magnetic equipment, will be put into service in 1968 for geophysical aerial surveys. Among the countries where the Company is engaged in extensive exploration is Australia (left). In Guatemala (right), preparatory work continued on the lateritic deposits held by the Company's subsidiary there.

Highlights

Net earnings of the Company were \$141,752,000, an increase of \$23,582,000 over 1966. Dividend payments to shareholders were \$3.00 per share, compared with \$2.80 in 1966.

International Nickel delivered 463,450,000 pounds of nickel during 1967. While these deliveries were lower than the record of 1966, the volume of Company-produced nickel delivered was greater than in the previous year.

Nickel consumption in the free world amounted to an estimated 825,000,000 pounds, almost equaling the record established in 1966. Demand exceeded the available supply.

The bulk of the Company's mine and plant expansion is taking place in Canada. Capital expenditures in 1967 were \$145,705,000, by far the largest capital outlay in a single year. Capital expenditures in 1968 are expected to approach \$200,000,000.

Negotiations with the Guatemalan Government moved closer to the point where the necessary financing could be completed for the construction of mining and plant facilities.

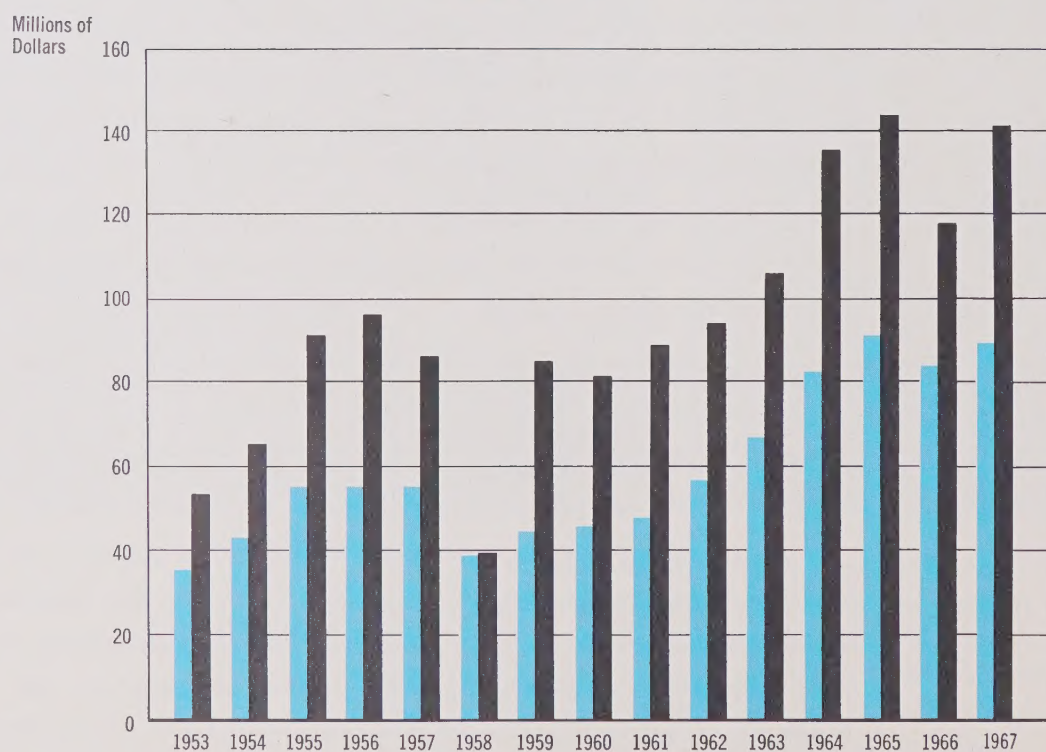
During the year, the Company entered into an agreement providing for International Nickel to be a 40 per cent equity partner in a new company to be established with French interests to develop nickel deposits in New Caledonia.

An initial agreement was signed between the Republic of Indonesia and the Company on January 29, 1968, following the selection by the Indonesian Government of International Nickel from among several bidders submitting proposals regarding nickel deposits on the island of Sulawesi. A comprehensive program for exploration of the deposits will be initiated as soon as possible.

Financial Summary

	1967	1966	1965	1964
Net Earnings	\$141,752,000	\$118,170,000	\$143,794,000	\$135,768,000
Per Share	\$ 4.76	\$ 3.98	\$ 4.85	\$ 4.59
Common Dividends..	\$ 89,104,000	\$ 83,059,000	\$ 90,311,000	\$ 81,251,000
Per Share	\$ 3.00	\$ 2.80	\$ 3.05	\$ 2.75
Income Taxes	\$ 78,259,000	\$ 69,024,000	\$ 93,455,000	\$ 66,684,000
Capital Expenditures	\$145,705,000	\$ 73,037,000	\$ 62,737,000	\$ 44,375,000

Common Dividends and Net Earnings 1953-1967



Dollar figures in this Report are expressed in United States currency, unless otherwise stated.

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED
(Incorporated Under The Laws of Canada) AND SUBSIDIARIES

Copper Cliff, Ontario
February 20, 1968

To the Shareholders:

Net Earnings Total
\$4.76 Per Share

NET EARNINGS—Net earnings for 1967 were \$141,752,000, the second highest in the history of the Company. They compare with \$118,170,000 in 1966 and with the record earnings of \$143,794,000 in 1965. The 1967 earnings are equivalent to \$4.76 per share, compared with \$3.98 in 1966 and \$4.85 in 1965.

The Company's total deliveries of nickel declined in 1967. However, the amount of Company-produced nickel included in these deliveries was larger. This, and the better prices for nickel and copper, were the major factors in achieving the increase of \$23,582,000, or 20 per cent, in the 1967 earnings, as compared with the previous year when earnings were adversely affected by strikes at our mines and plants in Ontario. On the other hand, our 1967 production was lower than we had programmed, primarily because of the continuing scarcity of labour in the Canadian mining industry and other operating problems associated with our enlarged mine and plant construction programs. Earnings in 1967 were also adversely affected by increased operating costs, resulting in part from the continued use of increasing quantities of lower-grade ores.

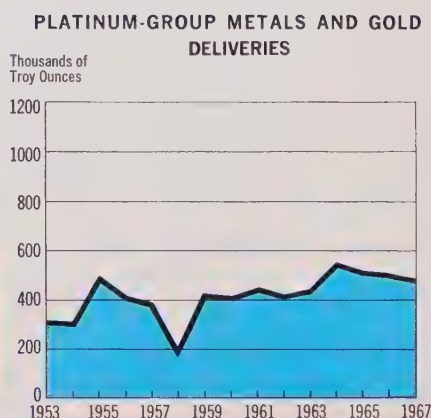
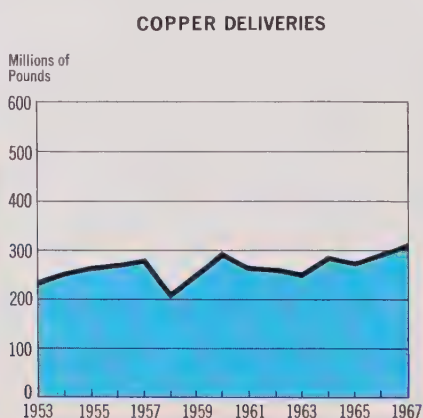
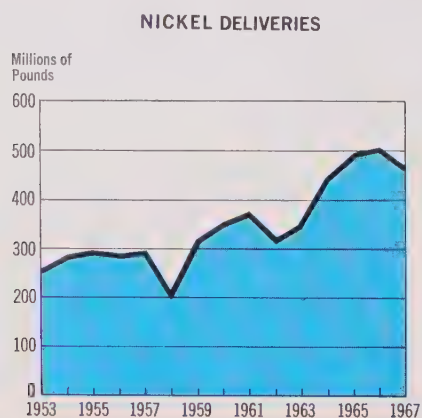
Dividends Total
\$3.00 Per Share

DIVIDENDS—The Company paid four quarterly dividends of 70¢ per share, together with a year-end extra dividend of 20¢, for a total of \$3.00 per share. Dividends paid in 1966 were \$2.80 and in 1965, \$3.05 per share. Total dividend disbursements were \$89,104,000, compared with \$83,059,000 in 1966 and \$90,311,000 in 1965.

Deliveries of Metals

	1967	1966	1965	1964
POUNDS				
NICKEL				
Primary Nickel*	399,450,000	431,560,000	433,190,000	393,980,000
Nickel in Rolling Mill Products	64,000,000	68,640,000	59,770,000	50,210,000
Nickel in all forms — Total.....	463,450,000	500,200,000	492,960,000	444,190,000
COPPER	310,930,000	293,000,000	275,880,000	286,530,000
COBALT	2,210,000	2,000,000	2,020,000	2,750,000
TROY OUNCES				
PLATINUM-GROUP METALS AND GOLD	475,600	500,900	510,800	544,800
SILVER	1,592,000	1,513,000	1,581,000	1,493,000
LONG TONS				
IRON ORE	708,000	673,000	889,000	734,000

* Including salts and chemicals, and rolled bars for electroplating.



Company Delivers
463,450,000 Pounds
of Nickel

DELIVERIES OF METALS—The Company in 1967 delivered 463,450,000 pounds of nickel in all forms. These deliveries compare with the record deliveries of 500,200,000 pounds in 1966 and 492,960,000 pounds in 1965. Included in our 1967 deliveries were over 40,000,000 pounds of nickel purchased from various sources and delivered on a no-profit basis. The record deliveries of 1966 included more than 100,000,000 pounds of such nickel.

Copper deliveries were 310,930,000 pounds, compared with 293,000,000 pounds in 1966 and 275,880,000 pounds in 1965.

Deliveries of the platinum-group metals (platinum, palladium, rhodium, ruthenium, iridium and osmium) and gold were 475,600 troy ounces, compared with 500,900 ounces in 1966 and 510,800 ounces in 1965.

Iron ore deliveries were 708,000 long tons, compared with 673,000 tons in 1966 and 889,000 tons in 1965.

The table on the opposite page shows the deliveries of the Company's principal metals for the past four years. Selenium, tellurium and sulphur are also recovered from the Company's ores.

Free World
Nickel Consumption—
825,000,000 Pounds

NICKEL CONSUMPTION—The Company has estimated that 825,000,000 pounds of nickel, from all sources, were consumed in the free world during the year. This compares with the record consumption of some 830,000,000 pounds in 1966. It is believed that free world consumption in 1967 would have reached a new all-time high had nickel been in plentiful supply.

Liquidation of inventories of nickel-containing materials and a leveling off of industrial activity in the United States resulted in a drop in U. S. nickel consumption to an estimated 352,000,000 pounds, compared with 412,000,000 pounds in 1966. In Continental Europe and the United Kingdom, nickel consumption of 320,000,000 pounds exceeded that of 1966. Nickel consumption in Japan rose from 80,000,000 pounds in 1966 to an estimated 110,000,000 pounds, with most of it being produced in Japan from New Caledonian ores. Canadian consumption of 21,000,000 pounds was up slightly over 1966. For all other countries, consumption was 22,000,000 pounds.

In the major fields of application, it is estimated that the free world's use of nickel in stainless steel during 1967 amounted to 309,000,000 pounds. Nickel plating ranked second, with 125,000,000 pounds; followed by high-nickel alloys, 121,000,000; constructional alloy steels, 90,000,000; iron and steel castings, 77,000,000; copper and brass products, 31,000,000; and all other fields of application, 72,000,000 pounds.

Nickel Price
Increased

NICKEL PRICES — In September 1967, the Company increased its price of regular electrolytic nickel from 85.25¢ per pound to 94¢ (U. S.) per pound. The price of electrolytic nickel to Canadian consumers became \$1.015 (Can.) per pound. The Company's price in the United Kingdom for electrolytic nickel and for nickel pellets became £773½ per long ton. Following devaluation of the pound sterling in November, this price became £902.

OTHER METAL PRICES — Production of much of the world's copper was disrupted by work stoppages and particularly by the strike against United States producers which started in July 1967 and was still in effect in February 1968.

In Canada, International Nickel's price for copper on January 1, 1967 was 45¢ (Can.) per pound. On January 26, 1967, it became 47.25¢ per pound. Effective December 1, after similar action by other Canadian producers, the Company raised its price to 51¢ per pound. The Company's price in European markets, which continued to be based on the London Metal Exchange 3-months forward quotation for wirebars, ranged from £339½ per long ton (42.4¢ U.S. per lb.) to £565 (60.5¢ U.S.), and was £535½ (57.4¢ U.S.) at year end.

Other Metal
Prices Increased

All of the Company's copper is marketed under its "ORC" brand in Canada and in Europe. During the year the Company, in addition to fulfilling Canadian customers' requirements, was able to increase its copper deliveries to its United Kingdom and other European customers.

Consumption of the platinum-group metals continued at a high level throughout the year. Although there were some increases in free world platinum production, this precious metal remained in tight supply. In the United States, the 1966 year-end average published price for platinum was \$100 per troy ounce. In January 1967, the price increased to \$110.50, where it remained until December. At year end, two average published prices were in effect — \$110.50 and \$122.50 per troy ounce. In January 1968, the higher price was withdrawn and the average price became \$111.50.

The average published prices in the United States of other platinum-group metals increased during 1967 as follows: palladium, from \$36 per troy ounce to \$38; rhodium, from \$198.50 to \$247.50; iridium, from \$170 to \$187.50. The average price for ruthenium remained unchanged at \$57.50.

As a result of policy changes by the United States Treasury beginning in May 1967, the price of refined silver increased sharply in New York and in other world markets. The New York price reached a 1967 high of \$2.17 per troy ounce on November 27, and was \$2.10 at year end. For almost four

years prior to the policy changes, the New York refined silver price had remained unchanged at \$1.293.

PRODUCING MINES — Total ore production from our 10 producing mines in Ontario and Manitoba amounted to 20,410,000 short tons. This compares with the former all-time high of 19,750,000 tons in 1965. The ore mined, however, contained on the average less nickel per ton.

Development
Continued at 10
Producing Mines

The record ore production was made possible by utilization of bulk mining methods and the continuing capital investment in mechanization in the Company's underground mines. Highly productive equipment, including raise borers, diesel-powered loader-transporters and mobile drill rigs, increased production, improved operating efficiency and speeded mine development. Underground development in our operating mines in Ontario and Manitoba reached a cumulative total of 3,519,000 feet, or about 666 miles, by the end of 1967.

In Ontario, sinking of the Totten No. 2 shaft was completed during the year, and underground development and surface plant construction were carried forward. Use of this shaft will begin in the third quarter of 1968; it will be in full operation in the latter half of 1969. A second new shaft — Frood-Stobie No. 9 — reached a depth of 2,679 feet. This shaft, which will be used to hoist ore from the Frood-Stobie and the new Little Stobie mines, will go into full operation in the late spring of 1969. The Creighton No. 9 shaft has passed the 5,000-foot level on its way to bottoming at a depth of almost a mile and a half. Upon completion in the late spring of 1969, it will be the deepest mine shaft direct from surface in the Western Hemisphere. Full utilization is expected in the summer of 1970.

New Shafts Sunk
in Producing Mines

In Manitoba, the Thompson No. 3 shaft was put into regular operation in the latter part of the year, and the related surface installations were completed. Work continued on the deepening of the Thompson No. 1 shaft, which is scheduled for completion in the last quarter of 1968.

In addition to extending operations at the Clarabelle open pit mine, two relatively small open pit developments are also underway in the Sudbury District. Preparatory development was initiated at the Murray mine to open an ore face for an open pit mining operation, with production expected to begin in the second quarter of 1968. The open pit operation adjacent to the Crean Hill mine was brought into production in October 1967.

DEVELOPMENT OF NEW MINES — As of the year end, the Company had nine operating mines in Ontario and a tenth in Manitoba. Under its new mine

development program, International Nickel is scheduled to have in Canada 18 operating mines of various sizes, with production rates ranging from 1,000 to over 23,000 tons of ore per day. In 1970, this complex, together with expanded associated surface facilities, will add 100,000,000 to 150,000,000 pounds of nickel to the Company's present annual production capability.

5 New Mines in Ontario

Five of the eight new mines are in Ontario. The Copper Cliff North mine is expected to reach partial production in 1968 and full production in 1970. Both the Coleman and Little Stobie mines are scheduled for production in 1969. Full production at the Kirkwood mine is planned for early 1970. Late in 1967, the Company began the development of another nickel mine — the Copper Cliff South mine — which is expected to come into production in about three years.

3 New Mines in Manitoba

In Manitoba, the Company is developing three new mines in the Thompson area. Normal production is expected at the Birchtree mine in the last quarter of 1968, and at the Soab mine in the first quarter of 1969. Work was started at the Pipe mine on the dredging and disposal of 17,000,000 cubic yards of swampy overburden averaging some 100 feet in depth. Production is expected to begin at the Pipe mine in 1970. Construction of a 45-mile railway, which will connect the Soab and Pipe mines to Thompson, was well advanced during the year, with completion scheduled for mid-1968.

PLANT EXPANSION AND IMPROVEMENTS — Work went forward in 1967 on expansion of the necessary mill, smelter and refinery facilities to process the greater amounts of ore resulting from our mine development program.

Production Begins at New Frood-Stobie Mill

During the latter part of the year, the 22,500-ton per day Frood-Stobie mill began production of a copper-nickel concentrate. At the Copper Cliff mill, major revisions were undertaken in the flotation and dewatering facilities in order to receive and process the Frood-Stobie concentrate.

Construction was begun on an addition to the Levack mill which will permit the removal of up to 1,500 tons per day of pyrrhotite concentrate from the nickel-copper concentrate produced at this mill. The pyrrhotite concentrate will go to the iron ore plant for further processing, thus freeing smelting capacity at Copper Cliff and thereby adding to our nickel-copper production capabilities.

During the year the first fluid bed roaster was installed at the Copper Cliff smelter in a program for replacement of multi-hearth roasters. This new equipment permits operation of the reverberatory furnaces at a higher throughput rate and the betterment of working conditions.

Expansion of the Thompson mill, smelter and refinery was started early in 1967 to accommodate the planned increases in ore production that will result from the mine expansion program in the Thompson area.

At the Clydach nickel refinery, the new production line, based on the use of large rotary kilns to carry out the reduction and volatilization stages of the carbonyl process, was officially inaugurated in May.

During the year a modernization program was launched at the Acton precious metals refinery near London, which will make possible both in-

The North Range (top left) in the Sudbury District is a prospective new mine. Other mines under development are the Birchtree (top right) in Manitoba and the Copper Cliff North (bottom right) in the Sudbury District. Development work at the Pipe mine in Manitoba includes dredging and disposal operations (bottom left).



creased purity of precious metals output and a substantial increase in refinery capacity.

Tokyo Nickel Company, Ltd., owned by International Nickel and Japanese companies, completed a nickel processing plant early in 1967, in Matsuzaka, Japan. It began producing a nickel oxide sinter product for Japanese customers in April.

Nickel Production in Canada to Increase

POTENTIAL NEW OPERATIONS — Canadian sulphide ores will be the mainstay of free world nickel production for the foreseeable future, and production of nickel in Canada will continue to grow. However, a significant proportion of the world's potential nickel reserves are contained in lateritic deposits. These, as they are discovered and developed, can be expected to be an increasingly important source of nickel in the future. The Company is well prepared to bring such deposits into production because of its exploration and property development programs, and because of its research efforts over many years which have brought forth a number of proprietary processes and improved technology for treating lateritic ores.

The Company is actively involved in exploring for or developing lateritic deposits in Guatemala, New Caledonia, Indonesia, the British Solomon Islands Protectorate and Australia. At the same time it is exploring for or developing sulphide deposits in Canada, the United States and Australia.

Prospects for 2 More New Mines in Canada

In Canada, in addition to the 18 mines previously mentioned, the Company has prospects for the development of two new mines. One is the North Range in the Sudbury District. The sinking of an exploratory shaft was started there during the year to investigate low-grade nickel mineralization that occurs in that area and the feasibility of developing it economically. The other is at our Shebandowan property in northwestern Ontario, near Fort William-Port Arthur, where the sinking of a shaft was completed and underground exploration started.

Guatemalan Project Awaits Final Arrangements

In Guatemala, the Company's majority-owned subsidiary, Exploraciones y Explotaciones Mineras Izabal, S.A. (Exmibal), continued development work on the deposits held by it near Lake Izabal. Exploration work was also begun on two new areas. The decision to start major construction capable of producing some 50,000,000 pounds of nickel annually and the conclusion of the necessary financing arrangements await the resolution of certain financial matters with the Guatemalan Government. About three years would be required to complete the mining and processing facilities once construction has begun.

The Company was active in other parts of the world as well. During the year, it entered into an agreement providing for International Nickel

New Company to
Develop Nickel
Deposits in
New Caledonia

to be a partner with a 40 per cent equity interest in a new company to be established for the purpose of developing lateritic nickel deposits in New Caledonia. The new company will be a consortium consisting of a number of French government-owned and private companies and banks, and International Nickel. The necessary organizational steps are underway, and early in 1968 a start was made on exploratory field work in New Caledonia. The new company's objective is to add 50,000,000 to 100,000,000 pounds of nickel annually to the world's supply.

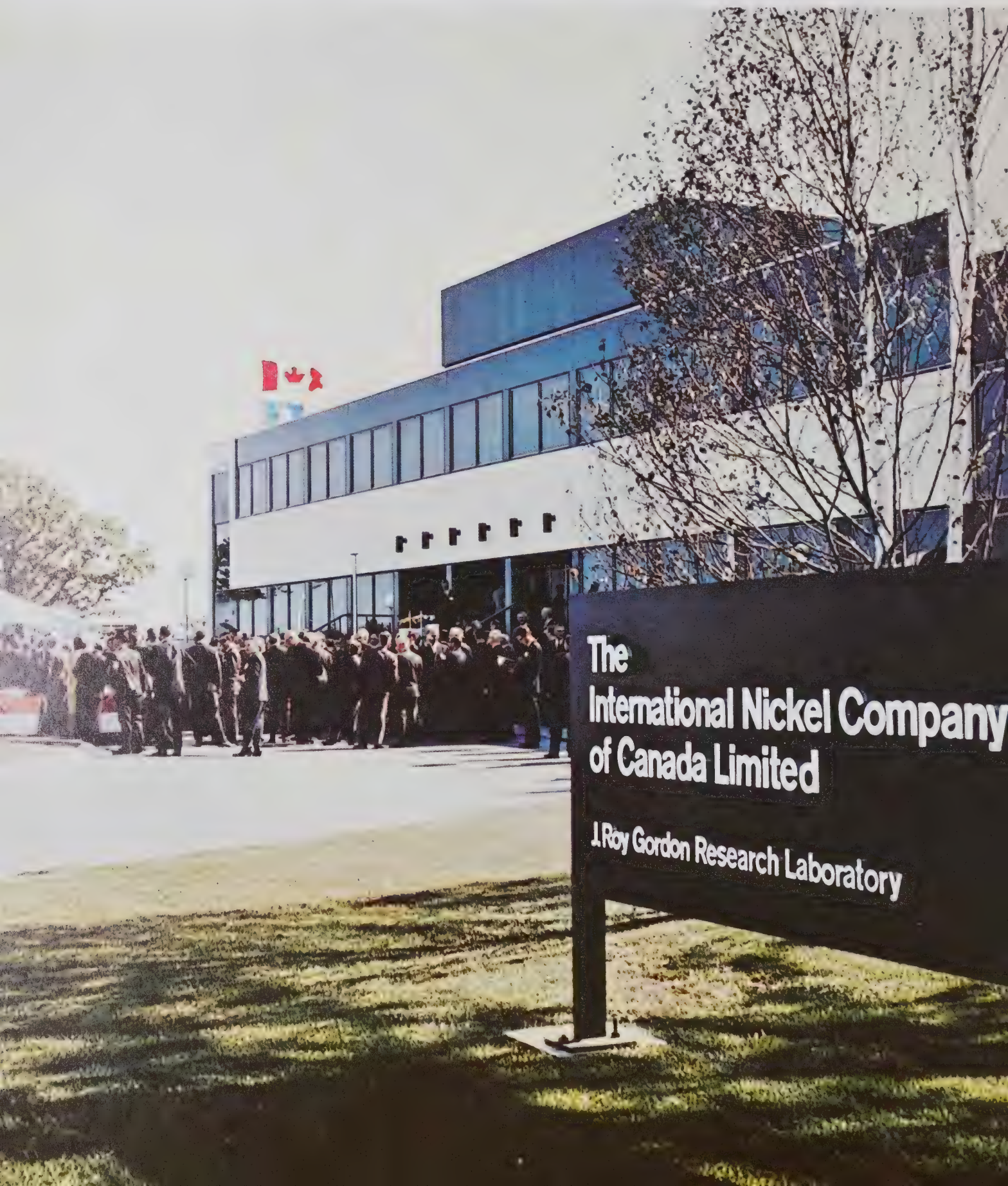
Company Selected
by Indonesian
Government

On January 29, 1968, the Company was selected from among a number of bidders responding to the Indonesian Government's invitation to submit proposals covering the exploration and possible development of potential important nickel deposits on the island of Sulawesi. A comprehensive exploration program, including metallurgical studies, will begin as soon as possible, and, if justified, development will be undertaken. The area is relatively remote, and the Company will be working in cooperation with the Indonesian Government and others to facilitate the establishment of necessary supporting facilities.

*The 22,500-ton per day Frood-Stobie mill in the Sudbury District
began production of a copper-nickel concentrate in the latter part of 1967.*



The J. Roy Gordon Research Laboratory in Sheridan Park, near Toronto, was formally opened in September 1967. The laboratory's main function is to develop fundamental information that will lead to new and improved process and production methods.



Evaluation Work
Continues on
Minnesota Deposits

In the United States, work started on the sinking of an 1,100-foot preliminary development shaft near Ely, Minnesota. Engineering studies are being carried out to assess whether production from this large, but low-grade, copper-nickel sulphide deposit is economically feasible with today's known mining and processing technology.

Company Spends
Record \$13,252,000
on Exploration

EXPLORATION — In 1967, the Company expanded its search for new nickel deposits. Exploration expenditures were a record \$13,252,000, compared with \$11,685,000 in 1966 and \$12,328,000 in 1965. Approximately 75 per cent of the expenditures in 1967 were made in Canada, and 25 per cent in other countries. This represents a doubling of activity outside of Canada.

In Canada, underground exploration was carried out at our mines in the Sudbury and Thompson areas. Elsewhere in Canada, notably in other parts of Ontario and Manitoba, and in Quebec and British Columbia, exploration was maintained at a high rate. Most of this work was conducted independently by the Company and mainly for nickel. A small amount was carried on in partnership with other organizations and in a few cases involved other metals.

The Company through an exploration subsidiary, Canadian Nickel Company Limited, has a small interest in Panarctic Oils Ltd. This consortium of the Canadian Government and private companies is exploring Canada's far north primarily in search of oil. The existence of other minerals is very much a possibility.

Canadian Nickel Company Limited also reached an agreement with a subsidiary of Union Minière S.A. for the exploration of certain areas in Canada.

Exploration Continues
in South Pacific Area

The Company continued its active exploration efforts in the South Pacific area. In the British Solomon Islands Protectorate, further evaluation work was conducted on the Company's properties. In Western Australia, the Company explored a number of properties near Kalgoorlie and Wingellina. Near Rockhampton, Queensland, under an agreement with The Broken Hill Proprietary Company Limited, the Company conducted an active exploration program. Work continues in all of these areas.

ORE RESERVES — The proven ore reserves of the Company's Sudbury District and Manitoba mines were 357,570,000 short tons at December 31, 1967, with a nickel-copper content of 9,800,000 short tons. At the end of 1966, the proven ore reserves were 324,870,000 short tons, with a nickel-copper content of 9,480,000 short tons.

J. Roy Gordon
Research Laboratory
Opened

PROCESS RESEARCH — Nickel producers, like other metal producers, are becoming increasingly dependent on lower-grade ore deposits. Because of this, research in extractive metallurgy leading to the development of ever more efficient processes for the economical recovery of nickel from sulphide and lateritic ores has taken on added importance. A major event in International Nickel's history of process research took place in 1967 with the formal opening of the J. Roy Gordon Research Laboratory in Sheridan Park, near Toronto. The laboratory's principal function is to continue the development of fundamental information that will lead to new and improved process and production methods. In addition, scientists at the laboratory are directing their efforts towards development of new forms of nickel and associated elements. Extensive work is being conducted in the areas of hydrometallurgy, pyrometallurgy and vapometallurgy, and on mineralogical and geological research.

Also during the year a third process research station was opened at Port Colborne, Ontario, and a new process research laboratory was completed at Clydach, Wales. These and the J. Roy Gordon Research Laboratory are part of a three-nation complex that includes research and pilot plant facilities at Port Colborne and Copper Cliff in Canada; the Paul D. Merica Research Laboratory at Sterling Forest, New York; the Harbor Island Corrosion Laboratory in North Carolina; and the Birmingham Nickel Research Laboratory and the Acton Precious Metals Research Laboratory in the United Kingdom. Additionally, research laboratories are connected with both our Huntington, West Virginia, and Hereford, England, rolling mills.

Importance of
Pollution Control

POLLUTION CONTROL — Pollution of the environment is not a new problem, but with increased density of population and increased industrialization, it has risen very markedly as a matter of public concern throughout the world. The Company in its operations in Canada, the United States and the United Kingdom has long recognized its obligation to provide practical means of maintaining pleasant and safe environments in and around its plants. To this end, effluents are treated and gases and dusts are controlled. As a matter of policy, environment control is an objective to be met in the planning and engineering of all new or expanded facilities.

In most of our operations, and particularly at new ones such as Thompson, we have found ways to successfully limit pollution which might have been caused by our operations. For instance, at Thompson elemental sulphur is recovered in the refining operation, and thus the amount of sulphur emitted into the atmosphere is minimized.

In the Sudbury District the situation does not lend itself to quick or easy solutions because of the character of some of the facilities and the volume of sulphide ores handled. Historically, the venting of gases through high chimneys represented the first major effort at air pollution control. Then in the early 1930's the utilization of sulphur dioxide by Canadian Industries Limited for the manufacture of sulphuric acid began. This has progressively increased. With the addition of a new large unit in 1967, the capacity of the sulphuric acid facilities at our iron ore recovery plant has grown to 800,000 tons per year. This sulphuric acid production complex is one of the world's largest. Additionally, sulphur is recovered from gases at the Copper Cliff smelter as liquid sulphur dioxide in the world's largest such installation.

Five New
Sewage Treatment
Plants Built

In another aspect of controlling environmental pollution — the preservation of the purity of water — the Company has constructed five new sewage treatment plants in the Sudbury area in the last two years, and has taken steps to materially decrease the impurities in the water pumped from the mines. Significant progress has also been made in growing grain on the large tailings areas in a program to control dust during windstorms.

Much remains to be done, especially in view of the ever-increasing volume of ore being handled. To evolve the necessary technology for sulphur fixation, the Company has been conducting studies with several large chemical companies, and in addition, in 1967 retained an engineering consulting firm to prepare an independent appraisal of methods for increasing sulphur fixation. The objective of this work is to maximize the recovery of sulphur from our gases, and thus progressively to reduce its emission into the atmosphere.

PRODUCT RESEARCH AND MARKET DEVELOPMENT — The markets for nickel were under constant review during the year in light of the tight nickel supply situation. There was evidence of some downgrading and movement to alternative materials. It appears that because of the programs underway for expanded nickel production, these adverse consumption patterns have not taken on significant proportions. Accordingly, the long-term market for nickel-containing materials remains strong. Recognizing that the development of new alloys and the creation of new markets take five or more years, the Company emphasized long-term projects in both its product research and market development activities.

A new type of stainless steel, developed in the Company's Paul D. Merica Research Laboratory, resulted from research into the fundamentals

(continued on page 24)

Thompson—ten years later. . . .

Within a decade, because of the discovery and development of the Thompson ore body, a completely unproductive area has become the third largest community in Manitoba, with a population of some 15,000 people. And Thompson is now second only to the Sudbury District of Ontario as the free world's largest nickel-producing center.

The Thompson ore body was discovered after 10 years of exploration at a cost of \$10 million. The Company's capital expenditures on the Thompson project from 1957 through 1967 amounted to over \$200 million. During the same period, the Company's payroll in Thompson amounted to over \$100 million.

Four hundred air miles north of Winnipeg, Thompson has all the amenities of a modern suburban community.

A residential street in Thompson.



One of Thompson's five schools.



There are seven churches in the community.





Aerial view of the town, which is still growing. The community's recreation center and high school are shown at left.

In the summer, the townspeople head for Paint Lake.



No modern town is complete without supermarkets.



Company Announces
New Stainless Steel

(continued from page 21)

of superplasticity. This steel, the forerunner of a whole new family of alloys, features strength well above that of conventional stainless steels, together with at least comparable resistance to atmospheric corrosion. It is expected that steels of this type will be used increasingly in lightweight, high-strength structural applications that require low maintenance.

Copper-Base
Nickel Alloy
Developed

Our research activities have also led to the development of a new high-strength copper-base alloy containing about 30 per cent nickel and 3 per cent chromium. Capable of high strength without sacrifice of corrosion resistance, the alloy, it is anticipated, will fill an immediate need for high-pressure sea water piping and ultimately for a structural material in marine environments.

Some of the fastest growing markets for nickel and nickel-containing materials, such as nickel plating, stainless steels, high-nickel alloys, heat-resistant castings and the new high-strength steels, are resulting from the trend towards nuclear power plants; the increasing demand for more powerful aircraft engines and the programs for supersonic transports; the need in the machinery field for improved tools and dies; the necessity for more and better mass transportation; the increased need for equipment to produce and distribute chemical fertilizers; and the upgrading of standards in food processing and handling.

Metals Research
for Desalination

Worldwide interest in the production of potable water from the sea has prompted the Company to design and build a special new unit for testing the corrosion resistance of alloys in hot sea water. The unit, which was installed during the year at the Company's Harbor Island Corrosion Laboratory in North Carolina, will play an important role in our development and evaluation of corrosion-resistant alloys.

One of the oldest uses of nickel is in coinage. Increases in the price of silver in 1967 stimulated further replacement of silver by nickel and cupro-nickel. While the tight nickel supply slowed the trend toward pure nickel coins, at the end of the year there were in circulation a total of 31 denominations of pure nickel coins in 17 countries, and 228 denominations of cupro-nickel coins in 79 countries.

ROLLING MILL DIVISIONS — In 1967, the Company's rolling mill divisions in the United States and the United Kingdom delivered 95,860,000 pounds of nickel and high-nickel alloys, exclusive of rolled bars for electroplating. In 1966, their deliveries were 103,640,000 pounds. The reduction reflects the general shortage of nickel and the limiting allocations made available to these mills.



Two noteworthy events in the expansion of the Company's three-country metallurgical research complex in 1967 were the opening of a third process research station at Port Colborne, Ontario, (left) and of a new process research laboratory (lower right) at Clydach, Wales. An aerial view of the three process research stations is shown (top right).

At the Huntington, West Virginia, plant, continuing progress was made in the operation of new processing facilities. Improvements were achieved in production rates and in the quality and range of products. On January 12, 1968, the Company entered into a three-year collective bargaining agreement covering the hourly paid employees at Huntington.

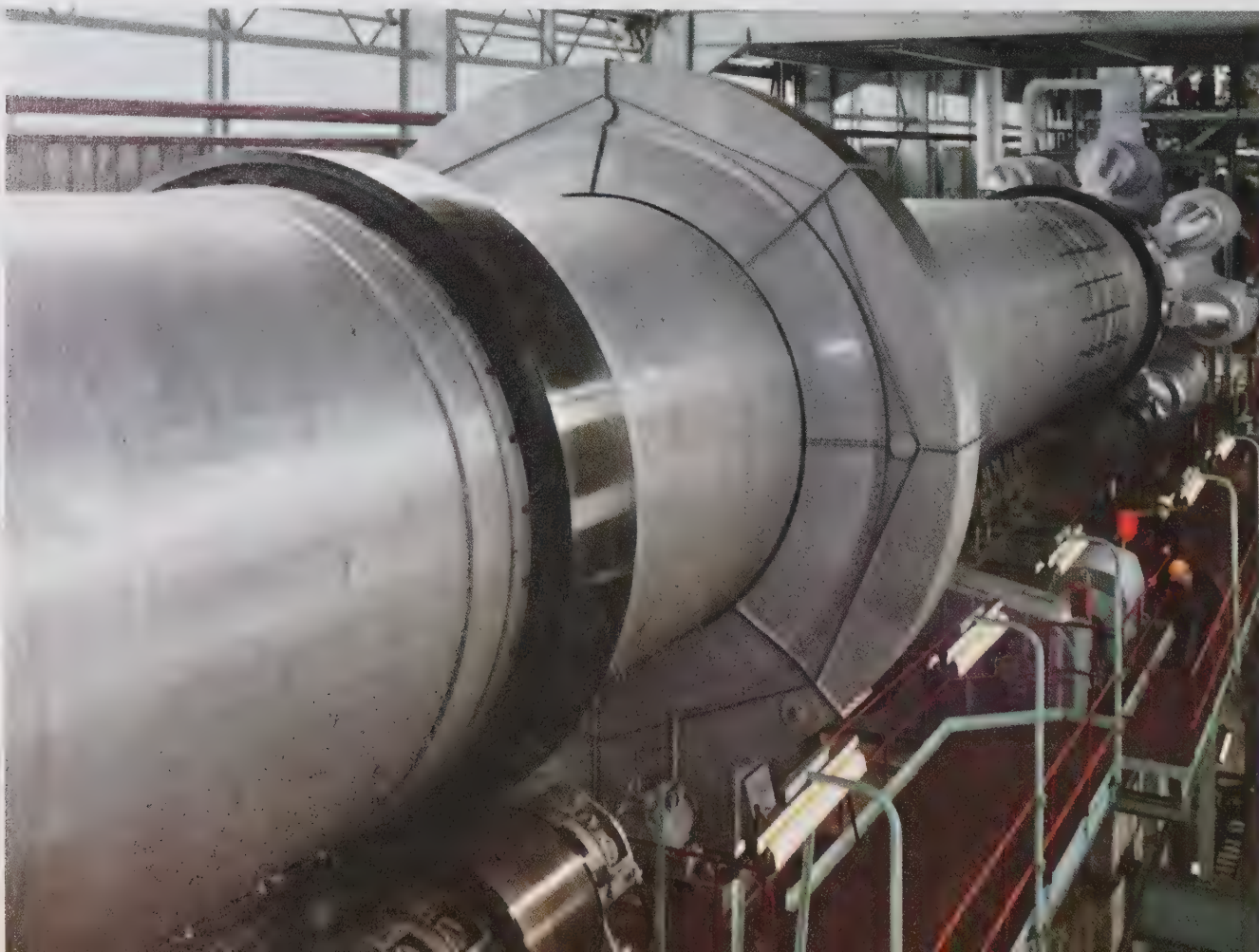
Restrictive governmental measures applied to the economy in the United Kingdom resulted in considerable reduction in demand there for rolling mill products. A portion of the reduction, however, was offset by increased exports from our Hereford, England, plant, with a significant role being played by our recently formed sales organizations — Nickel Alloys International S.A. in Brussels, and Australasian Nickel Alloys, a division of International Nickel (Australasia) Proprietary Limited, in Melbourne, Australia.

During the year, agreements were signed with unions representing the hourly paid employees at the Hereford rolling mill. These agreements have resulted in improved labour relations and in marked increases in productivity. Certain mutually beneficial features of the contracts, such as a binding no strike-no lockout clause, are believed to be unprecedented in British labour relations.

CAPITAL EXPENDITURES — The major program of increasing the Company's nickel production capability is reflected in capital expenditures in 1967 of \$145,705,000, by far the largest amount for any year in the Company's history. These expenditures compare with \$73,037,000 for 1966 and with the former high of \$75,971,000 in 1960, when the Thompson nickel mining project was being completed.

The 1967 capital expenditures included \$73,737,000 for the expansion and improvement of our smelting and refining plants in Canada and the United Kingdom. Mine development expenditures in Ontario and Mani-

Plant expansion and improvements are complementing the Company's new mine program. At Clydach, Wales, the new production line, based on the use of rotary kilns, was formally opened last spring.



Capital Expenditures
Expected to Approach
\$200,000,000 in 1968

toba totaled \$56,169,000. New facilities in our rolling mills in the United States and the United Kingdom accounted for \$5,978,000. The balance of \$9,821,000 was expended for other capital items.

Capital expenditures for 1968 are expected to approach \$200,000,000, surpassing the record level of 1967.

TAXATION — Taxation was the subject of reports by two governmental commissions in Canada during the year. In February 1967, the Report of the Canadian Royal Commission on Taxation (the Carter Report) was issued. August saw the publication of a report by the Ontario Committee on Taxation (the Smith Report).

The Carter proposals, if implemented, would substantially increase the Company's tax burden, as well as radically alter the conditions under which the mining industry has long conducted its operations in Canada. The Company carried out a major study of the economic implications of the Carter Report, and submitted an extensive brief outlining its views and conclusions to the federal Minister of Finance in September. The brief examined and commented on the broad philosophy underlying the Carter Report and the specific proposals for the withdrawal of tax incentives for the extractive industries. The study brought out the special contribution made by extractive industries to a country's economic growth. It demonstrated the essentiality of stable tax incentives if the risks which are unique to the mining industry are to be undertaken and if the large amounts of domestic and foreign capital are to be raised for the necessary long-term expenditures. These considerations are particularly pertinent when examined in an international context and in terms of tax provisions available in other countries.

The Company was gratified that last autumn the federal Minister of Finance did not support the broad Carter proposals as a basis for tax reform. However, the Government's position with regard to the tax proposals directly affecting the mining industry has not been clarified and remains of serious concern to the industry.

The Company is in the process of examining and assessing the Smith Report and will submit to the Ontario Government an extensive brief giving its views on the Smith proposals.

Stable Tax Incentives
Essential for
Extractive Industries

EMPLOYEES — At the end of 1967 the Company and its subsidiaries had 32,552 employees distributed over 15 countries as follows: Canada 23,376; United Kingdom, 4,964; United States and other countries, 4,212. Of these,

Company Has
32,552 Employees

Plans Call for
4,000 More Employees
in Canada

4,728 have served for more than 25 years and are members of the Company's Quarter Century Club.

To alleviate the labour shortage at our Ontario and Manitoba operations, the Company actively recruited personnel in Canada, and for Manitoba sought, as well, miner trainees and skilled and technical help from the United Kingdom. High labour turnover, also a problem, was largely due to a lack of living accommodations, as private construction failed to keep pace with increased housing requirements. The Company has, therefore, stepped up its efforts to actively encourage and aid private construction of housing in both the Sudbury District and at Thompson. In the next two years, the Company's plans call for an increase in employment in these two areas by a total of about 4,000 persons.

SHAREHOLDERS—The number of shareholders of record at December 31, 1967 was 64,207, compared with 67,120 at the previous year end.

MANAGEMENT CHANGES—On April 3, 1967, Lucien G. Rolland, of Montreal, Quebec, was elected a Director of the Company. President of the Rolland Paper Company, Limited, Montreal, Mr. Rolland is a director of a number of Canadian companies, and a governor of Jean de Brebeuf College, the University of Montreal, Notre Dame Hospital and the Children's Memorial Hospital, all of Montreal.

An electric furnace at the Company's Huntington, West Virginia, plant.



On November 6, Dr. John J. Deutsch, Principal-elect and Professor of Economics at Queen's University, Kingston, Ontario, was elected a member of the Board of Directors. A distinguished economist, Dr. Deutsch was the first chairman of the Economic Council of Canada, serving from 1963 until the summer of 1967.

Also on November 6, John O. Hitchcock, then Managing Director of International Nickel Limited, London, was elected Vice-President-International Marketing of the Company. In addition, he was elected Vice-President of The International Nickel Company, Inc., the Company's United States subsidiary. Mr. Hitchcock has served the Company for 40 years, having joined International Nickel in 1927.

At the same time, L. Edward Grubb, Assistant Vice-President of the Company and Managing Director of Henry Wiggin & Company, Limited and a Director of International Nickel Limited, was elected Managing Director of International Nickel Limited, the Company's United Kingdom subsidiary. On January 2, 1968, he was designated Chairman of Henry Wiggin & Company, Limited, a subsidiary of International Nickel Limited. Mr. Grubb joined International Nickel in 1934.

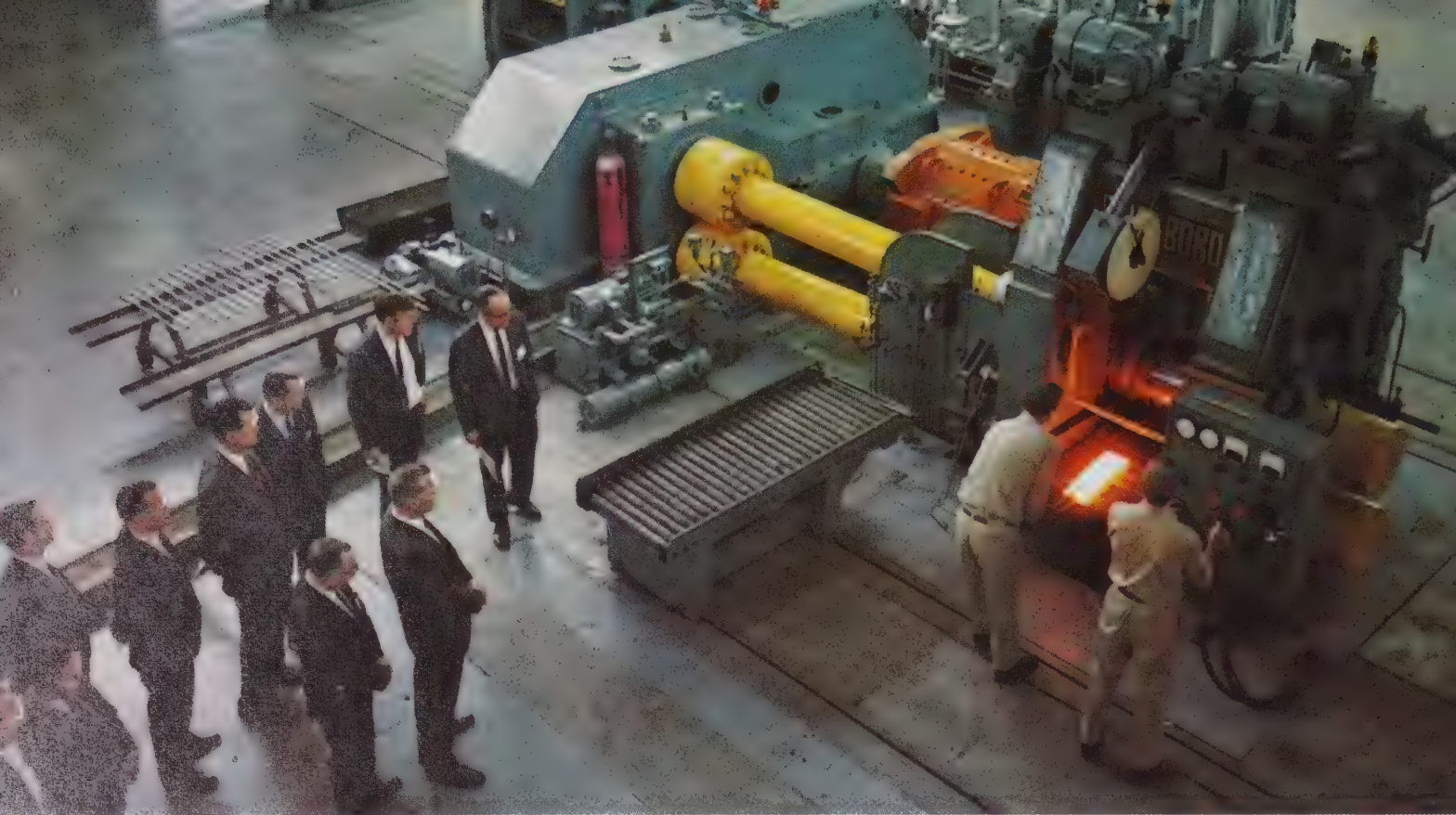
Theodore M. Gaetz, Vice-President, retired, pursuant to the Company's Retirement System, after more than 37 years of service with the Company. Prior to his transfer to Toronto in 1965, Mr. Gaetz held positions of high responsibility in the Ontario Division at Copper Cliff.

The Company suffered a sad loss on June 10, 1967 in the death of Ralph H. Waddington, Senior Vice-President and a member of the Advisory Committee of the Company. He also was a Vice-President, Director and Member of the Executive Committee of the Company's United States subsidiary, The International Nickel Company, Inc. He had served the Company for 44 years.

Theodore G. Montague, who had been a member of the Board of Directors since 1954, died on August 13, 1967. The Board of Directors at its September 5 meeting recorded the following in the permanent records of the Company:

WHEREAS: The Directors record with great sorrow the death on August 13, 1967, of their fellow director, Theodore G. Montague, who had been a member of this Board since 1954 and a member of its Executive Committee since 1957 and a member of the Board of Directors of The International Nickel Company, Inc. since 1958.

Born and educated in Wisconsin, he gave a lifetime of service to the dairy and food products industry, rising to become President of the Borden Company at the age of thirty-nine, a position he held for some nineteen years.



A new type of stainless steel, based on research into super-plasticity, was introduced during the year to the trade press at the Company's Paul D. Merica Research Laboratory, Sterling Forest, N. Y.

During his outstanding career, he distinguished himself in all phases of management, and especially for his high standards and sensitivity in the conduct of human relationships.

As a member of this Board, he contributed liberally of his knowledge and experience. He served as chairman of the Audit Committee and a member of the Committee on Remuneration of Senior Executives. His judgment, his interest, and his great friendliness won the unfailing respect and regard of all his associates.

THEREFORE, BE IT RESOLVED, that the Directors of The International Nickel Company of Canada, Limited, hereby give formal expression to their personal affection and great esteem for Ted Montague and to the Company's gratitude for his important contributions to its progress.

AND, FURTHER RESOLVED, that a copy of these resolutions be engrossed and presented to the family of Theodore G. Montague.

OUTLOOK — The year 1967 must be labeled as a mixture of accomplishments made for the future and of disappointments for the present. We were unable to supply all the nickel our customers wanted and our production did not rise to the goals we had set for ourselves. In the mining industry every year is a period of preparation. In 1967, more extensively than in any year in the history of our Company, we were building for the future. What we did to expand production facilities is evidenced by our unprecedented 1967 capital expenditures of \$145,705,000 — double those for 1966. And what we are doing this year is evidenced by our capital expenditures program which is expected to approach \$200,000,000.

In 1968, barring a reduction in demand, nickel will continue to be in tight supply. Our production will rise, with the bulk of the increase coming in the latter half of this year. But our deliveries this year can be expected to exceed 1967 deliveries by only a modest amount, because our inventories have been drawn down and there is less likelihood of our acquiring and including in our deliveries as much nickel from outside sources as in 1967.

In 1969, we expect again to incur very large capital expenditures as we close in on our goal of increasing our Canadian nickel-producing capacity by some 100,000,000 to 150,000,000 pounds annually. Additionally, we think it likely that we will be able to reach the decision this year that our Shebandowan property can be developed into a producing mine, and perhaps also our North Range properties.

The year 1967 was significant in terms of prospective longer-range production programs outside of Canada. The understandings reached for exploration and possible development in New Caledonia and Indonesia were important initial steps forward toward significant increases in the world's supply of nickel. Progress was also being made in our arrangements with the Guatemalan Government for the construction of mining and transformation facilities capable of having Guatemala enter the ranks of nickel producers. Work proceeded also in assessing the feasibility of our Minnesota copper-nickel project. While a great deal remains to be done on all of these projects, and nothing can be predicted with certainty, we expect that production from one or more of these will be making important contributions to the world's nickel supply in the first half of the 1970's.

All of these developments are based on our belief that steady and important growth in nickel consumption will be achieved. This climb will not occur simply by itself. The importance of product research and market development cannot be overestimated. In any period of tight supply such

as today, these activities are essential if nickel and nickel-containing materials are to compete successfully in the future as they have in the past against keen competition from other materials, both metallic and non-metallic.

For production to advance in stride with the anticipated healthy growth in consumption, it is clear that International Nickel will have to depend in the future increasingly upon finding and developing ore deposits outside of Canada. This means that the Company will gradually become multinational in its mining operations, as it has long been in the refining and marketing of nickel and in the production of nickel rolling mill products.

As the trend toward increasing utilization of lower-grade ores continues, the importance of more and more effective extraction processes will increase. It is this processing aspect of the mining industry, involving highly complex metallurgy, that requires the best in technological skills and inventiveness that a modern industrial company can command. And it also requires very large scale operations with capital expenditures of corresponding magnitude. We are strongly equipped to deal with these trends and opportunities as a result of years of research by our technical staffs, the pilot plants we have in being, and the other capabilities and financial resources that our organization possesses and can command.

The trends ahead then are clear. Rising demand . . . rising production—including production outside Canada . . . the utilization of lower-grade ores . . . the increasing importance of advanced extractive metallurgical techniques . . . large capital requirements. The Company looks forward to the opportunities which these trends present. It believes it can deal with them to the advantage of its shareholders, its customers and the areas within and outside of Canada in which it will be operating.

BY ORDER OF THE BOARD OF DIRECTORS,

HENRY S. WINGATE

Chairman

AUDITORS' REPORT

To the Shareholders of

The International Nickel Company of Canada, Limited:

We have examined the financial statements appearing on pages 34 through 41 of this report. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of The International Nickel Company of Canada, Limited and wholly owned subsidiaries at December 31, 1967 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

February 20, 1968

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

AND WHOLLY OWNED SUBSIDIARIES

Consolidated Assets and

	1967	1966
CURRENT ASSETS		
Cash	\$ 28,638,000	\$ 21,442,000
Government and Other Securities	89,689,000	139,794,000
Accounts Receivable less provision for doubtful accounts . . .	118,307,000	108,600,000
Inventories of finished and in process metals, and supplies . . .	212,773,000	204,813,000
	<u>449,407,000</u>	<u>474,649,000</u>
 SECURITIES HELD FOR PENSION PLANS	 8,191,000	 7,510,000
 OTHER ASSETS		
Miscellaneous Securities	575,000	2,142,000
Charges to Future Operations	5,329,000	5,900,000
	<u>5,904,000</u>	<u>8,042,000</u>
 PROPERTIES, PLANT AND EQUIPMENT	 1,105,701,000	 962,970,000
Less — Depreciation and Depletion	453,544,000	430,378,000
	<u>652,157,000</u>	<u>532,592,000</u>
	<u>\$1,115,659,000</u>	<u>\$1,022,793,000</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

ALBERT P. GAGNEBIN	} <i>Directors</i>
JAMES C. PARLEE	

bilities at December 31, 1967

EXPRESSED IN UNITED STATES CURRENCY

	1967	1966
CURRENT LIABILITIES		
Accounts Payable and Payrolls	\$ 66,551,000	\$ 55,489,000
Taxes based on Income	41,996,000	45,597,000
	<u>108,547,000</u>	<u>101,086,000</u>
PROVISIONS FOR		
Future Income Taxes	102,100,000	79,800,000
Pension Plans	8,191,000	7,510,000
Exchange, Insurance and Operating Purposes	31,664,000	26,006,000
	<u>141,955,000</u>	<u>113,316,000</u>
CAPITAL		
Common Shares		
Authorized 36,000,000 shares without nominal or par value. Issued 29,738,834 shares (1966—29,678,245 shares)	90,424,000	86,306,000
Capital Surplus	61,036,000	61,036,000
Retained Earnings and Capital Gains Employed in the Business	713,697,000	661,049,000
	<u>865,157,000</u>	<u>808,391,000</u>
	<u>\$1,115,659,000</u>	<u>\$1,022,793,000</u>

The explanatory financial section on pages 37 to 41 is an integral part of this statement.
The Auditors' Report appears on page 33.

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

AND WHOLLY OWNED SUBSIDIARIES

Consolidated Earnings for the Year Ended December 31, 1967

EXPRESSED IN UNITED STATES CURRENCY

	1967	1966
NET SALES	\$ 713,157,000	\$ 694,122,000
COSTS AND EXPENSES		
Costs	435,657,000	453,096,000
Selling, General and Administrative Expenses	33,984,000	31,617,000
	469,641,000	484,713,000
OPERATING EARNINGS before items shown below	243,516,000	209,409,000
OTHER INCOME	8,187,000	9,218,000
	251,703,000	218,627,000
PROVISION FOR		
Taxes based on Income.....	78,259,000	69,024,000
Depreciation and Depletion.....	26,140,000	26,173,000
Pension Plans	5,552,000	5,260,000
	109,951,000	100,457,000
NET EARNINGS	\$ 141,752,000	\$ 118,170,000
Net Earnings per Common Share	\$4.76	\$3.98
Shares outstanding at end of year	29,738,834	29,678,245

Consolidated Retained Earnings and Capital Gains Employed in the Business

EXPRESSED IN UNITED STATES CURRENCY

	1967	1966
BALANCE AT BEGINNING OF YEAR.....	\$ 661,049,000	\$ 625,938,000
NET EARNINGS	141,752,000	118,170,000
	802,801,000	744,108,000
DIVIDENDS PAID ON COMMON SHARES.....	89,104,000	83,059,000
BALANCE AT END OF YEAR.....	\$ 713,697,000	\$ 661,049,000

The explanatory financial section on pages 37 to 41 is an integral part of these statements.

EXPLANATORY FINANCIAL SECTION

GENERAL

The financial statements consolidate the accounts of the Company and wholly owned subsidiaries in Canada, the United Kingdom, the United States and other countries. For convenience, comparative figures are also shown for the preceding year, and figures are stated to the nearest thousand dollars.

As in past years, the statements are expressed in United States currency, conversions from other currencies having been made at applicable rates and in accordance with the Company's regular accounting practice. The Canadian dollar remained within the Government of Canada official limits, 91½¢-93½¢ (U.S.), and the mean of 92½¢ has been used for conversions where applicable. Sterling remained within the Bank of England official limits of \$2.78-\$2.82 (U.S.) to November 17, 1967, and within newly established official limits of \$2.38-\$2.42 (U.S.) from the date sterling was devalued, November 18, 1967, to December 31, 1967. The mean of \$2.80 to November 17, 1967, and the mean of \$2.40 thereafter has been used for the conversion of sterling where applicable.

NET SALES

In 1967 net sales totaled \$713,157,000 as compared with \$694,122,000 in 1966, an increase of \$19,035,000. Better prices for nickel and copper were primarily responsible for the increase in 1967 net sales.

COSTS AND EXPENSES

In 1967 costs and expenses totaled \$469,641,000 as compared with \$484,713,000 in 1966, a decrease of \$15,072,000. A reduction in 1967 of deliveries of nickel purchased at approximate market prices resulted in lowering our costs by an amount which more than offset increased labour and other production costs. Selling, general and administrative expenses for 1967 include directors' remuneration of \$1,047,000, including salaries of officers who are directors.

OTHER INCOME

Other income included in earnings comprised:

	1967	1966
Interest	\$7,442,000	\$8,428,000
Dividends	339,000	360,000
Net gain on disposal of assets	406,000	430,000
Total	<u>\$8,187,000</u>	<u>\$9,218,000</u>

WORKING CAPITAL

The decrease in working capital for the year amounted to \$32,703,000, comprised of a decrease of \$25,242,000 in current assets and an increase of \$7,461,000 in current liabilities. The changes in working capital are summarized as follows:

Working capital at beginning of year		\$ 373,563,000
Additions:		
Net sales	\$713,157,000	
Other income	8,187,000	
Issue of shares under stock option plan	4,118,000	
Other	2,821,000	728,283,000
		<hr/>
		1,101,846,000
Deductions:		
Costs and expenses, and pension provisions		
(less \$4,975,000 of provisions for insurance		
and operating purposes)	\$470,218,000	
Taxes based on income		
(less \$22,300,000 of future taxes)	55,959,000	
Capital expenditures	145,705,000	
Dividends paid on common shares	89,104,000	760,986,000
		<hr/>
Working capital at end of year		<u><u>\$ 340,860,000</u></u>

SECURITIES

Government and other securities included in working capital comprised:

	December 31, 1967	December 31, 1966
	<hr/>	<hr/>
Time deposits and government and prime commercial securities maturing within twelve months	\$ 69,987,000	\$121,014,000
Government and prime commercial securities maturing after twelve months	19,702,000	18,780,000
	<hr/>	<hr/>
Total government and other securities	<u><u>\$ 89,689,000</u></u>	<u><u>\$139,794,000</u></u>

Government and other securities, as well as securities held for pension plans and miscellaneous securities, are carried at cost. Market values in the aggregate were greater than cost at the end of each year.

INVENTORIES

Inventories included in working capital comprised:

	December 31, 1967	December 31, 1966
Metals, finished and in process	\$170,548,000	\$166,930,000
Supplies	42,225,000	37,883,000
Total inventories	\$212,773,000	\$204,813,000

Following the Company's regular accounting practice, inventories are valued at the lower of cost or market prices; cost for metals is production or purchase cost, and for supplies is average purchase cost. Inventory quantities were adjusted from time to time throughout the year to physical stock-takings. At the end of the year there were no substantial purchase commitments at prices in excess of market levels.

PROPERTIES, PLANT AND EQUIPMENT

Changes in these accounts during the year are summarized as follows:

	Properties, Plant and Equipment	Depreciation and Depletion	Net
Balance at beginning of year . . .	\$ 962,970,000	\$430,378,000	\$532,592,000
Additions	145,705,000	26,140,000	119,565,000
	1,108,675,000	456,518,000	652,157,000
Retirements	2,974,000	2,974,000	
Balance at end of year	\$1,105,701,000	\$453,544,000	\$652,157,000

Properties acquired in 1918 from a predecessor company are taken at cost measured by the par value of stock issued for stock of that company; an ore body discovery is at value fixed by the Directors in 1923; properties owned by International Nickel Limited prior to its merger, January 1, 1929, are at the valuation established by its Directors and appearing in their report to shareholders for the eight months' period ended December 31, 1928; other items are at cost.

The established policy relative to depreciation and depletion was continued during the year and provisions were made which, in the judgment of the management, will result in accumulated provisions adequate to offset, at the expiration of the estimated economic lives of the properties, the recorded cost of the investment in properties, plant and equipment. This policy is supported by studies made periodically of such lives of the properties. The total provision for the year of \$26,140,000 includes depreciation of \$22,542,000 and depletion of \$3,598,000. At the end of the year, the accumulated provisions were \$348,086,000 for depreciation and \$105,458,000 for depletion.

TAXES BASED ON INCOME

During the year \$78,259,000 was provided for taxes based on income, of which \$65,207,000 was for Canadian taxes and \$13,052,000 principally for United Kingdom and United States taxes.

The provision for taxes is higher than in 1966 by \$9,235,000 which is attributable principally to higher earnings in 1967. The provision reflects tax-exempt earnings for three Canadian mines under the three-year "new mines" exemption provided by the Canadian Income Tax Act; such exemption expired for our Crean Hill mine in August 1967 and will expire for our Maclellan and Totten mines in April 1968 and January 1969, respectively.

The depreciation recorded in the accounts in conformity with the Company's regular accounting practice is recognized in determining the provision for taxes. However, in accordance with tax regulations of Canada, the United Kingdom and the United States, depreciation deductions for tax purposes have been made in amounts greater than the provisions for depreciation in the accounts. As a result \$22,300,000 of the provision for taxes has been carried to the separate account for future income taxes which aggregated \$102,100,000 at the end of the year. Whenever depreciation deductions for tax purposes are less than book provisions in future years, this account will decrease.

At the end of the year, the current liability for taxes, after required prepayments during the year, was \$41,996,000.

PENSION PLANS

In addition to assets held in Trust Funds by Trustees under Company pension plans, the Company held \$8,191,000 of securities at the year end, representing the amount set aside for pension plan benefits payable directly by the Company. A summary of pension plan transactions during the year follows:

Balance at beginning of year		\$ 7,510,000
Add: Provision from earnings		5,552,000
		<u>13,062,000</u>
Deduct:		
Contributions paid to Trustees	\$4,169,000	
Benefits paid directly by the Company	546,000	
Currency exchange adjustments	156,000	4,871,000
		<u>4,871,000</u>
Balance at end of year		<u><u>\$ 8,191,000</u></u>

The Company's pension plans cover substantially all of its employees. Pension plan costs arising from past service in the aggregate have been provided for in full.

PROVISIONS FOR EXCHANGE, INSURANCE AND OPERATING PURPOSES

Changes in these provisions during the year were as follows:

Balance at beginning of year			\$26,006,000
Add provision for:			
Self-insurance	\$ 1,000,000		
Operating purposes	3,975,000		
Currency exchange	683,000	5,658,000	
The year-end provisions are:			
Self-insurance	\$14,000,000		
Operating purposes	10,821,000		
Exchange	6,843,000		
Balance at end of year			<u>\$31,664,000</u>

CAPITAL

The Key Employees Stock Option Plan, ratified by shareholders at the Annual Meeting on April 24, 1957, authorizes the granting of options on 700,000 unissued common shares at prices not less than 95% of the fair market value on the day the option is granted. The options are exercisable in installments beginning not earlier than one year after date of grant over a period not exceeding ten years from the date of grant.

During 1967 options were exercised in respect of 60,589 shares, for which the Company received \$4,118,000; and options for 160 shares expired. As of December 31, 1967 options for a total of 570,784 shares had been exercised, 440 shares were available for future grants of options and 128,776 shares (including 47,145 shares for officers) were subject to outstanding options as follows:

Date of Grant	Option Price Per Share	Shares for Officers	Total Shares
November 1959	\$47.00	1,500	1,600
April 1960	49.75	3,485	4,235
March 1961	63.00	—	4,596
November 1961	72.50	15,900	41,535
December 1962	58.50	1,260	13,054
August 1966	81.75	25,000	63,756
		<u>47,145</u>	<u>128,776</u>

Capital surplus was unchanged during the year. It includes \$11,664,000 representing the amount received in 1930 for common shares in excess of the capital value assigned thereto, this amount being “distributable surplus” as defined by the Canada Corporations Act.

Fifteen Year Review of

Year	Net Earnings		Common Dividends		Income Taxes	Depreciation and Depletion
	Amount	Per Common Share*	Amount	Per Common Share*		
1967	\$ 141,800,000	\$ 4.76	\$ 89,100,000	\$ 3.00	\$ 78,300,000	\$ 26,100,000
1966	118,200,000	3.98	83,100,000	2.80	69,000,000	26,200,000
1965	143,800,000	4.85	90,300,000	3.05	93,500,000	26,500,000
1964	135,800,000	4.59	81,300,000	2.75	66,700,000	27,500,000
1963	106,300,000	3.60	66,300,000	2.25	43,600,000	26,200,000
1962	94,200,000	3.19	55,900,000	1.90	37,400,000	24,300,000
1961	88,800,000	3.02	46,900,000	1.60	60,900,000	19,900,000
1960	80,700,000	2.76	44,500,000	1.52 ½	60,200,000	15,500,000
1959	85,200,000	2.91	43,800,000	1.50	58,800,000	14,600,000
1958	39,700,000	1.35	37,900,000	1.30	28,300,000	13,400,000
1957	86,100,000	2.95	54,700,000	1.87 ½	56,800,000	20,300,000
1956	96,300,000	3.25	54,700,000	1.87 ½	61,000,000	19,900,000
1955	91,600,000	3.07	54,700,000	1.87 ½	60,200,000	19,100,000
1954	65,300,000	2.17	42,300,000	1.45	43,400,000	17,800,000
1953	53,700,000	1.77	34,300,000	1.17 ½	43,900,000	12,900,000

* As adjusted to reflect the split of the shares on a 2-for-1 basis in 1960.

Financial and Operating Results

Capital Expenditures	Ore Mined (SHORT TONS)	Nickel Deliveries (POUNDS)	Copper Deliveries (POUNDS)	Platinum-Group Metals and Gold Deliveries (TROY OUNCES)	Exploration Expenditures
\$145,700,000	20,400,000	463,500,000	310,900,000	475,600	\$ 13,300,000
73,000,000	17,600,000	500,200,000	293,000,000	500,900	11,700,000
62,700,000	19,800,000	493,000,000	275,900,000	510,800	12,300,000
44,400,000	16,400,000	444,200,000	286,500,000	544,800	7,600,000
36,000,000	13,600,000	350,700,000	253,600,000	439,400	6,400,000
61,000,000	13,800,000	318,200,000	267,300,000	410,800	5,900,000
46,000,000	17,500,000	372,500,000	268,700,000	443,000	7,400,000
76,000,000	16,800,000	351,900,000	292,500,000	409,400	8,900,000
66,900,000	15,300,000	317,000,000	252,500,000	420,900	8,000,000
54,400,000	9,500,000	205,800,000	210,600,000	189,400	7,400,000
43,900,000	16,000,000	290,100,000	280,800,000	382,800	8,900,000
23,000,000	15,500,000	286,100,000	271,300,000	411,100	8,200,000
26,900,000	14,200,000	290,500,000	263,200,000	487,700	5,200,000
22,300,000	14,500,000	282,000,000	253,300,000	300,700	5,300,000
21,100,000	13,700,000	251,400,000	234,300,000	309,000	6,100,000

TRUST FUNDS

RETIREMENT SYSTEM AND OTHER PENSION PLANS

There are five irrevocable Trust Funds in Canada, the United States and the United Kingdom to implement the Retirement System and the other pension plans for the Company's employees. While the accounts of these Trust Funds are separate and distinct from the accounts of the Company and its subsidiaries, a summary of the audited accounts of the five funds appears in the ensuing paragraph for general information purposes.

At the beginning of the year Government bonds and other marketable securities, at cost, and cash and other assets in the hands of the Trustees aggregated \$183,573,000. During the year total contributions paid to the Trustees by the Company and employees were \$4,376,000, income from investments was \$10,516,000, and Retirement System and other pension plan benefits of \$6,838,000 were paid from the Trust Funds. These figures are expressed in United States currency, and exchange adjustments during the year resulted in a decrease of \$2,358,000 in terms of that currency. Accordingly, on December 31, 1967 the Trustees had assets in hand of \$189,269,000.

At February 20, 1968 the Trustees of the three Canadian Trust Funds and of the United States and British Funds were:

CANADIAN FUNDS

G. Arnold Hart, Montreal, P.Q.
Allen T. Lambert, Toronto, Ont.
R. Samuel McLaughlin, Oshawa, Ont.
H. C. F. Mockridge, Toronto, Ont.
E. C. Patterson, Bedford, N. Y.
F. M. A. Noblet, Darien, Conn.

UNITED STATES FUND

E. C. Patterson, Bedford, N. Y.
William C. Bolenius, Cutchogue, N. Y.
H. C. F. Mockridge, Toronto, Ont.
J. C. Traphagen, West Nyack, N. Y.
F. M. A. Noblet, Darien, Conn.

BRITISH FUND

International Nickel (Retirement System) Trustees Limited,
London

ANNUAL MEETING—The Chairman will make an oral report to shareholders at the Annual Meeting which will be held in Toronto, Ontario, on April 17, 1968. The Chairman's Address will be printed and mailed to the shareholders.

THE
INTERNATIONAL NICKEL
COMPANY OF CANADA
LIMITED

ANNUAL MEETING

April 19, 1967 • Toronto, Canada

Address to Shareholders
by HENRY S. WINGATE
Chairman of the Board

MAY - 1 1967

**THE
INTERNATIONAL NICKEL
COMPANY OF CANADA
LIMITED**

Address to Shareholders
by
Henry S. Wingate
Chairman and Chief Officer
Delivered at the Company's
Annual Meeting in Toronto
April 19, 1967

*On peut se procurer cette plaquette
en français en s'adressant au
Secrétaire,
The International Nickel Company of Canada, Limited
55 Yonge Street, Toronto 1, Ontario, Canada*

*This address is also available in French.
A copy may be obtained by writing to:
The Secretary,
The International Nickel Company of Canada, Limited
55 Yonge Street, Toronto 1, Ontario, Canada*

The very rapid growth in the use of nickel we have been witnessing the past few years — a rate of growth unequaled by any other major metal — underlies the problems and the opportunities facing our Company today.

As you know, world nickel consumption in 1966 reached a record high — some 70 per cent higher than the plateau in consumption that prevailed in the 1960-1962 period. Likewise, our nickel deliveries in 1966 were of record proportions — but not all of the nickel we delivered was produced by us. Because of strikes and the shortage of labor in the mining industry, we lost over 80 million pounds of nickel production last year. This loss, coupled with the fact that our large inventories of finished nickel were nearly depleted, meant a serious reduction in deliveries of Company-produced nickel. Our record total deliveries of 500,200,000 pounds included approximately 100 million pounds of U. S. Government surplus nickel on which there was no profit to the Company. As a consequence, earnings were lower than in the previous two years. Because of reduced earnings and because of large existing and contemplated capital expenditures, the Board of Directors did not declare an extra year-end dividend in 1966. Dividends for 1966 were \$2.80 per share, down 25 cents from the preceding peak year.

New Mines in Canada and Elsewhere

I think shareholders will understand that we are doing everything possible to maintain and increase production from existing facilities and to develop new sources of

nickel. Here in Canada we are developing new mines, and we are expanding established operating mines. In Canada alone, our capital expenditures will exceed \$100,000,000 this year.

And we are active in other parts of the world as well. In Guatemala, substantial progress is being made. I shall refer to that progress later. In Minnesota, we are working around the clock to determine the feasibility of developing low-grade copper-nickel deposits. In Australia, we are crowding forward in our efforts, and I now feel, with some optimism, that within a year we will know whether we will be warranted in shifting from the exploration phase into the development stage. I should note, too, that we are engaged in exploration activities in the British Solomon Islands. Finally, we are continuing to strive for an appropriate arrangement with French and New Caledonian interests, satisfactory to the French Government, for the development of New Caledonia's extensive and untapped lower-grade deposits.

Developing High-Cost Ores

Consideration of most of these potentials and of much of our Canadian expansion was assisted by an increase in the price of nickel. The increase, effective November 1, 1966, was the first since 1961. It has allowed us to recover, in part, increased costs and to make a start on projects to develop low-grade but extensive deposits, such as the new Pipe mine, some 20 miles south of Thompson, Manitoba. It is clear, as one looks ahead, that the mounting world requirements for nickel will require increased reliance on lower-grade, high-cost ores such as these.

I have spoken in the past of the value and accomplishments of our research efforts in developing new uses for nickel. The success of these efforts is obvious today; and, of course, they are continuing, with an eye on new markets tomorrow and the tomorrow after that. At the same time, we have been carrying on another type of research with great vigor — that is, research on new and improved methods for getting ore out of the mines and improved processes for extracting nickel and other metals from the ore.

The year 1966 marked the completion of our new J. Roy Gordon Research Laboratory at Sheridan Park, Ontario. This is part of a complex of extractive metallurgy research and pilot plant facilities in Canada, which we believe is unmatched anywhere in the world. Our research facilities have made important contributions to the Company in the past and will make still greater ones in the future. They hold, we believe, great promise for the development of further new and improved extractive processes for both sulphide and lateritic ores. I am glad, as well, to report that we have recently completed the major modernization project at our Clydach, Wales, nickel refinery.

What does all this production, exploration and research activity mean in terms of future deliveries? Because our inventories of finished nickel are virtually gone, our deliveries in the immediate future will have to rest on production.

In 1970, we will have completed in Canada our already announced program of expanding our existing mines, increasing the capacity of our surface facilities and bringing in new mines. Additionally, we are currently

studying still further Canadian expansion plans. Altogether with what we are planning, we look forward in 1970 to increased production in Canada of some 100 to 150 million pounds of nickel annually above that which we expect to be able to deliver from our production this year. I would emphasize that this increased production is exclusive of our projects outside of Canada, one or two of which should come into production in the early 1970's and thus provide further substantial increments in production capacity.

Despite these very real causes for optimism, it is apparent that while we and other nickel producers will have progressively more production in the years ahead, the increase in supply will be unable in the immediate future to match the increase in consumption if it continues at the dramatic, surging pace that we have witnessed in the last four years.

Thompson Complex Expanding

A substantial portion of our increased production in the years ahead will come from our Thompson complex. Thompson today is a modern city with a population of 11,700. Its modern plants, engineered to safeguard against air and water pollution, represent an investment of over \$200,000,000. Many millions more have been invested by individuals, other companies and the Federal and Provincial governments. Thompson has become the fourth largest city in Manitoba and is increasingly the focal point of the development of the Nelson River area of northern Manitoba.

At the present time, Thompson produces about 110 million pounds of refined nickel annually. It was

originally scheduled to produce 75 million pounds annually. By the end of 1969 the expanded Thompson complex, including, in addition to the original Thompson mine, the new Soab and Birchtree mines (both of which will be approaching operation by the end of this year) and the Pipe mine, will be producing approximately 170 million pounds of nickel annually.

By that time our plans call for investing over \$100,000,000 more in mines and facilities in the Thompson area, and the population of the town will be 6,000 greater than today. Our annual payroll will be about \$20,000,000 greater, and exports of the Thompson complex's products will be contributing well over \$100,000,000 annually to Canada's balance of payments.

No Inco Ghost Towns

It is worth noting that Thompson did not exist when we convened here for our Annual Meeting ten years ago. That fact is a sharp reminder to all of us of the vital role a company plays in the economic and social spheres through the development of resources. Economic and physical growth has been great, of course, in the Sudbury area. But because it has been an addition to an already large complex, it is less obvious and less dramatic than in Thompson. Still less visible in the Sudbury District are the great strides and risks taken in the face of relentless depletion of ores to preserve production levels and, where possible, to increase production levels, with resultant benefits to the community as well as to ourselves. We have not in the past created ghost towns anywhere, and we have no intention of doing so in the future. We are constantly at work investing money and

taking risks to find and prove up new reserves so that we can continue to sustain on a long-term basis the communities that have grown into being around our operations.

Encouraging Mining Ventures

The need is for more Thompsons — and sooner, not later. Where and how they will grow will be determined by two factors. First, of course, the ore bodies must be discovered — Thompson was born from ten years of exploration in the area. But secondly, and just as importantly, government policies, present and prospective, must encourage their discovery and development. For example, we are encouraged to look hard at low-grade deposits in Minnesota because United States Federal tax legislation, like that in Canada, recognizes the highly different conditions affecting the mining industry, and because the State government and citizens are working to evolve a tax program that will help make the development of these ores possible.

Progress in Guatemala

I have just returned from Guatemala. I am pleased to report that there, too, the government, determined to speed the development of the nation, sees clearly the values to the country and to its citizens that will flow from a large nickel-producing operation. There, as here, nickel production can make a significant contribution, not by its consumption at home, but by the direct and indirect employment and the stimulation to the domestic economy that will result from producing a product to serve expanding world markets.

I am happy to report that much progress has been made in resolving important issues in Guatemala. A mining code has been enacted, comprehensive mining regulations have been issued and we have concluded arrangements permitting the construction of port facilities at the Port of Matias de Galvez. I am optimistic after my talks with senior government officials in Guatemala that the few remaining problems will be quickly resolved and soon we will be in a position to proceed with the building there of a large mining and processing project. It would represent initially an investment of over \$100,000,000 and an annual production of fully 50 million pounds of nickel.

Markets for Canada

International Nickel was formed to develop a great Canadian resource. In so doing, it has, we believe, made a very real contribution to Canadian life — to Canadian growth. This could not have been done without foreign markets; without Canadian and foreign investors, from the United States, Europe and elsewhere; and above all, without stable and long-term Canadian governmental policies that encouraged the search for ores and their subsequent development.

Ours is an international company chartered and based in Canada. The bulk of our payroll, taxes and investment, however, is in Canada. The Company operates large, integrated mining, processing and research facilities in Canada. Canadians have more money invested in our Company than in any other Canadian company except Canada's largest public utility. It exports nearly 95 per cent of its nickel and large amounts of other

metals, and thus makes a very substantial contribution to Canada's balance of payments. The Company's large exports have been to a very considerable degree the product of planned efforts over the years to develop markets for nickel throughout the world. We also have important operations in many other countries, including processing plants, rolling mills, and very extensive market development and metallurgical research activities, which are crucial in the creation and expansion of markets for nickel.

Contributions to Canadian Life

While I see ahead the development of important non-Canadian ore bodies by International Nickel and other producers, Canadian nickel production is capable of continuing to grow and in so doing, will continue to make its strong economic and human contributions to Canadian life; and the operations in the other countries also will, of course, contribute not only to the progress of the particular countries and areas outside of Canada, but to the Company's growth and earnings and thus also make their contributions to Canada.

Often there is a real contribution that cannot be measured in economic terms. For instance, in addition to our direct participation in Expo 67, we take some pride in what we have been able to do through our subsidiaries in promoting Expo. We have used our advertising time and space in Europe and the United States to tell the world of Expo 67. At least some of the visitors to Montreal will be there as a result of these efforts, and I might add, from what I have seen, they will not be disappointed when they get there. This is

Canada's Centennial Year, and we, like other companies, have participated in special programs in the cities where we or our subsidiaries have offices and facilities. One very special Centennial project of ours is a series of scholarships to young Canadian artists. These young Canadians will perform with established artists on three, one-hour color television shows on the Canadian Broadcasting Corporation. They are talented performers, whom I have had the pleasure of meeting.

Carter Commission Recommendations

I would not want in an address to shareholders to fail to mention the recently released Report of the Royal Commission on Taxation — more commonly known as the Carter Commission Report. The Report contains recommendations to the Canadian Government concerning tax changes proposed to be made by it and by the Provinces. The recommendations are most extensive and interlocking. If enacted, they would result in a very revolutionary restructuring of Canadian taxation policies. Any such restructuring obviously would hold most significant and far-reaching implications for all Canadians and for Canadian companies and their shareholders. While I do not wish at this stage to discuss them in depth, we are organizing ourselves to be in a position in the future to give detailed and responsible comments concerning them.

It is enough to say now that I believe that our studies of the Commission's recommendations will lead us to conclude that, if enacted, they would seriously retard industrial growth in Canada, and most particularly, they would retard the mining industry's ability to continue

in the future to make as substantial a contribution as in the past to Canada's development, growth, and ability to provide a progressively better life for its citizens.

Governmental Policies and Industrial Growth

The soundness of government fiscal and taxation policies, and their stability as a foundation for long-term plans and investments, do have a very real bearing on whether, where, and when mining projects are started, maintained or expanded. Where ore bodies do not exist, no amount of encouragement by governments can bring them into being. Conversely, however, the existence of ore in the ground does not mean that it will be found. And if it is discovered, it does not necessarily follow that it will be developed and thus create jobs, payrolls, homes — a whole new industry, and with it secondary industries. And whatever is discovered will inevitably be exhausted and must hopefully be replaced by timely new discoveries.

The function of International Nickel is to provide metals to meet man's needs. In so doing, we make a direct and valuable contribution — and in the process, many indirect but equally valuable contributions. But neither we nor any business operate in a vacuum — alone — or independently of society. It controls us.

How well we perform our function — how large our contribution — rests not on our abilities alone. Governmental policy does have very much to do with how much we do, how fast we grow, where we grow — how great our contribution will be. It is, therefore, vitally important that the policies of governments towards

business be based on an objective appraisal of the effects the policies will have on business decisions and actions. And it is important that changes in policies be such that they do not undermine the foundations on which business expansion and growth have been predicated. Abrupt or drastic changes in such policies can slow or reverse existing business growth and expansion, and additionally, they can bring into question the future stability of government policies. The reasonable expectation of such stability is critical in undertaking commitments in securing long-term capital, and in assuming the risks which underlie business expansion and growth. Without such growth, business cannot make its maximum contribution to society.

Business is not the only force which contributes to society, but I know that it has made substantial contributions in the past. To me, it is certain that given a reliable and reasonably stable climate of encouragement, business will continue, as it must, to make such contributions. To me, it is certain also that our shareholders, along with others who constitute our Company, share your management's sense of pride in the past contributions of International Nickel and share also in the determination that the Company continue to be successful and profitable. Only then will it be in a position to make its greatest contribution to society.

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED
(As of April 19, 1967)

Officers

Honorary Chairman
JOHN F. THOMPSON

Chairman Executive Committee
J. ROY GORDON

Chairman and Chief Officer
HENRY S. WINGATE

President
ALBERT P. GAGNEBIN

Senior Executive Vice-President
JAMES C. PARLEE

Senior Vice-President
RALPH H. WADDINGTON

Executive Vice-President
RICHARD A. CABELL

Vice-Presidents

Executive Vice-President
F. FOSTER TODD

JOHN A. MARSH

*Assistant to the Chairman
and Consulting Engineer*
PAUL QUENEAU

THOMAS W. CHILDS, C.B.E.

Secretary
WILLIAM F. KENNEDY

Assistant to the Chairman—Law
ASHBY MCC. SUTHERLAND

THEODORE M. GAETZ

Comptroller
WALTER A. MCCADDEN

H. FRANK ZURBRIGG

Assistant to the President
DEAN D. RAMSTAD

LOUIS S. RENZONI

Treasurer
F. M. A. NOBLET

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED
(As of April 19, 1967)

Directors

JOHN F. THOMPSON*	New York, N. Y.
R. SAMUEL McLAUGHLIN*	Oshawa, Ont.
HENRY S. WINGATE*	Lloyd Neck, N. Y.
H. C. F. MOCKRIDGE, Q.C.*	Toronto, Ont.
DONALD H. McLAUGHLIN	San Francisco, Calif.
R. EWART STAVERT	Montreal, P. Q.
GEORGE C. SHARP	Katonah, N. Y.
SIR RONALD L. PRAIN, O.B.E.	Lusaka, Zambia
HON. LEWIS W. DOUGLAS	Sonoita, Arizona
J. ROY GORDON*	New York, N. Y.
THEODORE G. MONTAGUE*	Greenwich, Conn.
ELLMORE C. PATTERSON*	Bedford, N. Y.
THE RT. HON. VISCOUNT WEIR, C.B.E.	Glasgow, Scotland
NORRIS R. CRUMP	Montreal, P. Q.
WILLIAM C. BOLENIUS	Cutchogue, N. Y.
WILLIAM K. WHITEFORD	Pittsburgh, Pa.
JAMES H. GOSS	Rye, N. Y.
JAMES A. RICHARDSON	Winnipeg, Man.
G. ARNOLD HART, M.B.E.	Montreal, P. Q.
ALLEN T. LAMBERT	Toronto, Ont.
ALBERT P. GAGNEBIN*	Fair Haven, N. J.
JAMES C. PARLEE	Toronto, Ont.
SAMUEL H. WOOLLEY	Morris Plains, N. J.
THE RT. HON. LORD NELSON OF STAFFORD	London, England
LUCIEN G. ROLLAND	Montreal, P. Q.

* *Member Executive Committee*

Advisory Committee

R. SAMUEL McLAUGHLIN, *Chairman*

LANCE H. COOPER, M.B.E.	JOHN F. THOMPSON
J. ROY GORDON	J. C. TRAPHAGEN
H. R. MACMILLAN, C.B.E.	RALPH H. WADDINGTON
SIR OTTO E. NIEMEYER, G.B.E., K.C.B.	HENRY S. WINGATE

